

# The Nigerian Stock Exchange

## A review of market performance in 2009 and the outlook for 2010

By

Professor Ndi Okereke-Onyiuke, PHD, OON  
Director General/Chief Executive Officer

### 1.0 The Nigerian Capital Market

The harsh operating environment hampered the performance of most companies as shown in the quarterly results of quoted companies. Rising unemployment, weakened purchasing power and weakened investor confidence further exerted downward pressure on the stock market. The impact of the global economic meltdown worsened the scenario as foreign investors shunned assets considered risky while local investors sought refuge in short-term securities. Also, the initial negative reaction to the decision of most banks and insurance companies to make full provisions for their non-performing assets dampened investors' appetite and slowed down market recovery. In the long term, the decision is healthy for the market, in the sense that it would show a true and fair position of the institutions concerned.

#### 1.1 Activity In The Nigerian Secondary Market

Stock market indicators recorded downward movements. In addition, a significant portion of the funds that left the stock market for the Private Placement Market in 2007/8 remained locked-in, as many of the issuers have not yet applied to The Nigerian Stock Exchange for listing.

Turnover on the Exchange closed the year at N685.72 billion or 2.9% of GDP, down by 71.2% from the N2.4 trillion (10.4% of GDP) recorded in 2008. Average daily activity dropped from 775.65 million shares worth N9.55 billion in 2008 to 414.73 million shares valued at N2.8 billion in 2009.

The bulk of the transactions were in equities, which accounted for N685.3 trillion or 99.94% of the turnover value compared to N2.376 trillion or 99.85% recorded in 2008. Transactions in the industrial bonds sector accounted for N412.8 million or 0.06% compared to N3.53 billion or 0.15% in 2008, while transactions in the State Government bonds sector were very minimal, accounting for only N119,530. The Preference Stocks subsector was inactive in 2009.

Furthermore, turnover on Federal Government bonds on the Exchange was idle, while a turnover of N18.51 trillion in 134,120 deals was recorded in the over-the-counter (OTC) market for Federal Government bonds, as against N10.44 billion in 78,248 deals recorded in 2008.

Overall, the Exchange's Turnover Ratio dropped from 21.86% in 2008 to 13.26% in 2009, attributing to the decline in stock prices. The following is a list of the year's 20 most active stocks (by turnover volume):

S/No	Company	Volume Traded (Billion shares)
1	Access Bank Plc	6.348
2	UBA Plc	5.405
3	Wema Bank Plc	4.913
4	First Bank of Nigeria Plc	4.804
5	Guaranty Trust Bank Plc	4.413
6	Zenith Bank Plc	3.823
7	Intercontinental Bank Plc	3.209
8	FinBank Plc	3.004
9	First City Monument Bank Plc	2.929
10	Oceanic Bank International Plc	2.902
11	Diamond Bank Plc	2.849
12	Fidelity Bank Plc	2.805
13	Skye Bank Plc	2.541
14	AllCO Insurance Plc	2.388
15	Goldlink Insurance Plc	2.203
16	Bank PHB Plc	1.938
17	Investment & Allied Assurance Plc	1.795
18	Chams Plc	1.789
19	Transnational Corporation of Nig. Plc	1.718
20	International Energy Insurance Plc	1.666

The banking and insurance subsectors accounted for 18 of the Top 20 companies by turnover volume, consequent upon their being the most capitalized subsectors while also having the largest float. Information and Communication Technology and Conglomerates had one representative each to complete the Top 20 list.

## 2.0 Trading In Rights

Investors traded rights in two companies, compared to four companies in 2008. In all, 136 deals valued at N46.04 million were executed in this market segment in 2009, down by 87.1% on the N357.05 million value of transactions in the previous year. The companies whose rights were traded during the year include:

- Cadbury Nigeria Plc
- Eterna Oil & Gas Plc

## 3.0 Foreign Portfolio Investment

Despite price declines and the shunning of risky investments, foreign investors continued to demonstrate confidence in the Nigerian economy during the year. Following modest recoveries in their home markets, some of our erstwhile foreign investors returned while new investors sought opportunities, considering the key attributes of high returns, liquidity and safety of investments. Hence, despite the global recession, our market remained attractive to foreign investors and portfolio managers seeking cheap equities and high-yielding bonds. Interim statistics show purchases (inflow) by foreign investors during 2009 to be in excess of N228.986 billion, representing 33.4% of the aggregate turnover – an increase, when compared with the N153.457 billion recorded in 2008. Concurrently, total sales

(outflow) during the year were in excess of N195.583 billion, culminating in a net inflow of N33.403 billion, a reversal of the net outflow of N480.5 billion in 2008.

#### 4.0 Market Capitalization

The total market value of 266 securities listed on the Exchange dropped by 26.5%, from N9.563 trillion to stand at N7.03 trillion at year-end. The decline in market capitalization resulted mainly from equity price losses, and the delisting of 64 securities – 11 equities and 53 fixed income securities. Market capitalization had in 2008 declined by 28.1%.

By year-end, the market capitalization of the 216 listed equities accounted for N5 trillion or 71.04% of the aggregate market capitalization (2008: 213 equities accounted for N7 trillion or 73.1% of market capitalization). Also, by year-end, seven subsectors recorded increased market capitalization of between 6% and 69.3%, while 26 subsectors suffered a reduction in market capitalization of between 6.4% and 77.3%. Two subsectors (Machinery Marketing and Aviation) did not record any change in market capitalization.

At the end of the year, the following 20 companies emerged with the highest market capitalization, in descending order:

S/No	Company	NSE Sector Classification	Market Capitalization (N'Billion)	Annual Change (%)
1	First Bank of Nigeria Plc	Banking	407.54	(22.35)
2	Nigerian Breweries Plc	Breweries	401	29.8
3	Zenith Bank Plc	Banking	341.6	(7.3)
4	Guaranty Trust Bank Plc	Banking	289.13	48.3
5	UBA Plc	Banking	232.81	2.7
6	Guinness Nigeria Plc	Breweries	188.05	28.1
7	Dangote Sugar Refinery Plc	Food & Beverages	181.2	2.6
8	Benue Cement Company Plc	Building Materials	168.41	198.7
9	Nestle Nigeria Plc	Food & Beverages	158.2	25.1
10	Stanbic IBTC Bank Plc	Banking	140.1	(31.5)
11	Ecobank Transnational Inc. Plc	The Foreign Listings	130.4	(52.31)
12	Access Bank Plc	Banking	124.92	7.5
13	First City Monument Bank Plc	Banking	116.5	18.54
14	Diamond Bank Plc	Banking	107.12	(0.8)
15	Lafarge Cement WAPCO Nig. Plc	Building Materials	90.05	17.65
16	Oando Plc	Petroleum (Marketing)	85.1	17.81
17	Union Bank of Nigeria Plc	Banking	81.1	(53.95)
18	PZ Cussons Nigeria Plc	Conglomerates	79.41	122.42
19	Ecobank Nigeria Plc	Banking	76.73	(62)

20	Unilever Nigeria Plc	Conglomerates	70	78.23
----	----------------------	---------------	----	-------

The above 20 most capitalized companies, as at year end, accounted for 69.5% of the equity market capitalization and 49.4% of the total market capitalization of the Exchange. Consequently, changes in the prices of these stocks impacted substantially on the total market capitalization and the All-Share Index.

The combined share of market capitalization of Federal Government Bonds, State Government Bonds, Preference Shares and Industrial Loans stood at N2.04 trillion or 29% of the total market capitalization. Specifically, the share of FGN Bonds stood at 27.5% by year end.

### **5.0 Indices – All-Share Index, NSE 30, Food/Beverage, Banking, Insurance, Oil/Gas**

The Nigerian Stock Exchange All-Share Index (ASI) dropped by 33.8% or 10,623.61 points to close at 20,827.17. The NSE ASI had in 2008 dropped by 45.8% or 26,539.44 points to close at 31,450.78. The performance of the Index reflects a significant reduction in prices of equities during the year. By year end, 23 stocks recorded price appreciations and 159 stocks recorded price declines while the prices of 35 remained constant. In 2008, 78 stocks recorded price appreciations and 111 stocks recorded price declines while the prices of 24 remained constant.

As expected, the new NSE-30 Index showed resilience by dropping only 25.44 points or 3% to close the year at 827.99. This is due mainly to the index's broad-based structure and limited exposure to any sector in particular – two key requirements for products such as Exchange Traded Funds (ETFs) and derivatives.

The Exchange also introduced four sectoral indices during the year. By year end, however, all the four sectoral indices had depreciated – the NSE Food/Beverage Index dropped by 32.63 points or 5.83% to close at 526.71; the NSE Banking Index dropped by 159.45 points or 32% to close at 339.32; the NSE Insurance Index dropped by 391.59 points or 61.13% to close at 249.01; and the NSE Oil/Gas Index dropped by 433.52 points or 60.1% to close at 288.06.

### **6.0 New Issues**

When compared with the preceding five years, the Primary market was less active during 2009, in terms of number of applications received and issues offered for public subscription. This can be attributed to the liquidity crisis and the overriding pessimism of investors. The Exchange considered and approved 30 applications for new issues valued at N279.25 billion or 1.2% of GDP, as against 70 applications for new issues valued at N2.6 trillion or 11.3% of GDP in 2008.

Non-bank corporate issues accounted for 71.5%, with 25 applications valued at N199.65 billion while the banking sector accounted for 3.6%, with one application valued at N10.1 billion. State Government bond issues accounted for N69.5 billion or 24.9% of the total amount approved during the year. Of the non-bank applications, the Foreign Listings and Insurance subsectors accounted for N27.5 billion and N33.22 billion or 9.84% and 11.9%, respectively, of total applications considered.

No new IPOs were approved in 2009 (compared to N1.01 trillion in 2008) while N14.7 billion was raised through supplementary issues, N31.72 billion through rights issues, and N71.74 billion through bonds issue, including four State Government Bonds.

Listing by Introduction accounted for N131.04 billion, while Shares Placing accounted for N7.4 billion. Also approved were four applications by Unit Trusts for memorandum listings valued at N22.8 billion.

### 6.1 Top Five New Issues Approved In 2009

S/No	Issuer	Amount (N)	Type of Issue
1	Guaranty Trust Assurance Plc	30.0 billion	Listing by Introduction
2	Ogun State Government	28.0 billion	Bond
3	Pinance Point Group Plc	27.5 billion	Listing by Introduction
4	Cadbury Nigeria Plc	22.22 billion	Rights
5	e-Tranzact International Plc	20.16 billion	Listing by Introduction

### 7.0 New Listings in 2009

The number of securities listed on the Exchange dropped to 266 from 299 in 2008. These were new listings by:

#### Equity

1. IHS Nigeria Plc
2. Pinance Point Group Limited – Foreign Listing.
3. Courteville Investments Plc
4. Aframedia Plc
5. MTECH Communications Plc
6. E-Tranzact International Plc
7. Portland Paints & Products Nig. Plc
8. African Alliance Insurance Plc
9. Beco Petroleum Products Plc
10. Honeywell Flour Mills Plc
11. Guaranty Trust Assurance Plc
12. Resort Savings & Loans Plc
13. Unity Kapital Assurance Plc
14. McNichols Consolidated Plc (Second Tier Securities Market)

#### FGN Bond

1. 4<sup>th</sup> FGN Bond 2010 Series 12
2. 4<sup>th</sup> FGN Bond 2010 Series 13
3. 4<sup>th</sup> FGN Bond 2010 Series 14
4. 5<sup>th</sup> FGN Bond 2013 Series 1
5. 5<sup>th</sup> FGN Bond 2018 Series 2
6. 5<sup>th</sup> FGN Bond 2013 Series 4
7. 5<sup>th</sup> FGN Bond 2028 Series 5
8. 6<sup>th</sup> FGN Bond 2012 Series 1
9. 6<sup>th</sup> FGN Bond 2012 Series 2
10. 6<sup>th</sup> FGN Bond 2029 Series 3
11. 6<sup>th</sup> FGN Bond 2019 Series 4
12. 6<sup>th</sup> FGN Bond 2029 Series 5

**State Government Bond**

- Lagos State Fixed Rate Bond 2013 Series 1
- Kwara State Fixed Rate Bond
- Imo State Fixed Rate Bond

**Industrial Loans**

- Crusader (Nig) Plc Unsecured Convertible Bond

**Preference Shares**

- FinBank Plc's Irredeemable Non-Cumulative Convertible Preference Shares

**Delisting**

- 64 securities were delisted during the year

The Council of The Nigerian Stock Exchange approved the delisting of nine (9) dormant companies following the expiration of time given the companies to regularize their status with The Exchange. The decision was effected on Wednesday, May 13, 2009. Companies delisted were: Ferdinard Oil Mills Plc, Footwear Accessories Manufacturing & Distribution Plc, BCN Plc, Chrislieb Plc, Epic Dynamics Plc, Liz Olofin & Company Plc, Oluwa Glass Company Plc, Aba Textile Mills Plc, and Asaba Textile Mills Plc.

Also delisted were:

- 53 fixed income securities on account of maturity, including:
  - Six FGN Development Stocks
  - Four State Government Bonds
  - 41 Industrial Loans
  - Two Preference Stocks
- Universal Trust Bank Plc, following its acquisition by Union Bank of Nigeria Plc
- Nigerian International Debt Fund Plc was delisted from the equity section and granted Memorandum Listing status on December 15, 2009

**Memorandum Listings**

Three Managed Funds were granted Memorandum Listings status compared to four in 2008:

- Lotus Capital Halal Investment Fund
- Afrinvest WA Equity Fund
- Nigerian International Debt Fund

By this action, the number of Managed Funds so granted Memorandum Listing status increased from 23 to 26.

**7.1 Change of Names**

The names of three Companies were changed, as recommended by their Boards of Directors:

- Platinum Habib Bank Plc was changed to Bank PHB Plc
- First Inland Bank Plc was changed to FinBank Plc
- Dunlop Nigeria Plc was changed to DN Tyre & Rubber Plc

The number of subsectors in the equity section of the Daily Official List remained at 35.

## **7.2 Share Reconstruction**

The Issued Shares of two companies were reconstructed during the year:

- Ecobank Nigeria Plc was reconstructed in the ratio of 1 for 3
- Goldlink Insurance Plc was reconstructed in the ratio 1 for 2

## **8.0 Market Development**

As in previous years, The Exchange implemented certain initiatives in 2009 to broaden participation in our market, expand services, improve liquidity, and generally propel the market to greater heights. These initiatives are in the important areas of capacity building, investor education, international cooperation, and new products development, including:

### **8.1 Market Technology**

We completed an upgrade of Horizon, our trading platform, to the latest version. The upgrade comes with improved functionalities that would impact positively on trading on the Exchange, especially equities, derivatives, bond trading and surveillance. Our surveillance capability currently detects any price manipulation in the market. Like a dynamic organization, we are already considering the transition from the current software platform to a bigger platform, in view of our expanding operations.

In this regard, we have commenced negotiations with the London and New York Stock Exchanges in the selection of a more suitable platform for implementation within the next two years.

### **8.2 Dissemination of Market Information**

During the year, The Exchange concluded arrangements with renowned global news media powerhouses – Thomson Reuters and Bloomberg – for dissemination of real-time market data to the global investment community. This service is designed to compliment that provided by our official Website and local Data Centre. Data for investors and market operators include the bid/ask prices, volumes, latest trades and market depth information on equities and indices listed on the NSE. Nigeria is the second African exchange to be switched on by Reuters for real-time data, following Kenya's Nairobi Stock Exchange – a direct acknowledgement of the development of the stock market in Nigeria.

### **8.3 New Products**

In further appreciation of the efforts by the Nigerian Stock Exchange to create products that would take our market to a global audience, the Nigerian Stock Exchange has been approached by Bloomberg to co-brand all the newly-created indices, i.e., NSE-30 and the 4 sector indices. The Bloomberg branding will further enhance the profile of these indices and thereby give institutions the confidence to create products based on these indices, knowing that they will be displayed to a global investor base via the Bloomberg screens worldwide. The arrangement will also develop a revenue stream for the Nigerian Stock Exchange in due course. The contracts are currently under review and it is expected that these will be signed in the coming weeks.

Also on the matter of new products, an application has been submitted to SEC for the creation of the first Exchange Traded Fund (ETF) in Nigeria and it is hoped that this will be approved shortly as such products are expected to further deepen our market.

#### **8.4 Expanded Branch Network**

The Nigerian Stock Exchange now has 13 branches across Nigeria other than its world-class trading floor in Lagos. These are: Abuja, Kaduna, Port Harcourt, Kano, Onitsha, Ibadan, Yola, Benin, Uyo, Ilorin, Abeokuta, Owerri and Bauchi.

The Exchange commissioned the Owerri Branch and its electronic trading floor on Friday, February 6, 2009, then, on Thursday, March 19, 2009, the Bauchi Branch and its electronic trading floor were commissioned. Both events were well-attended in acknowledgement of The Exchange's 13 branches trading in real time, while plans are in the advanced stages for the opening of another branch in Oshogbo, Osun State.

#### **8.5 Organizational Restructuring**

We completed work on the first phase of the transformation programme of the Exchange. The Council of the Exchange at its meeting on November 18, 2009 approved a new structure to propel The Exchange into the future. The new structure has the following features:

- The title of the Director General becomes Group Chief Executive Officer, to be supported by four executive directors, heading up four directorates.
- The four directorates are:
  - Information Technology and Market Operations
  - Listings
  - Strategy and Business Development
  - Regulation and Risk Management.

The Private Placements and Emerging Markets department of The Exchange will also be renamed the Alternative Investment Market and Private Placement Exchange (AIM/PRIPEX). The Exchange will, through the AIM/PRIPEX, offer a "Special Window" for all concluded private placements to be listed on The Exchange. This window will be open for a period of 180 days post-private placement.

#### **8.6 Inauguration of the 18th President of The Nigerian Stock Exchange**

At the 45th Annual General Meeting of The Exchange held on September 14, 2006, Dr. Oba Otudeko, OFR completed his 3-year term as the President and Chairman of Council. Members unanimously elected Alhaji Aliko Dangote, CON as the 18th President and Chairman of Council. We thank Dr. Oba Otudeko for a successful tenure, coupled with a dynamic approach. He handled the affairs of The Nigerian Stock Exchange diligently during his Presidency, while promising our current President our unalloyed support during his tenure.

#### **8.7 Inspection of Dealing Member Firms**

A total of 242 (out of 254) stock brokerage firms were inspected in the year by the Compliance Department of the Regulation and Risk Management directorate. Several firms reported trading losses and negative shareholders funds as a result of the financial crisis that followed the economic downturn. These firms have been advised to inject fresh funds and return their firms to profitability. The remaining twelve (12) firms had their inspections rescheduled.

#### **8.8 New Dealing Member Firms**

The department conducted pre-trading inspections on the under-listed firms:

- Plural Securities Ltd
- First Integrated Capital Management Ltd
- Woodland Capital Ltd.
- Funds Matrix & Asset Management Ltd
- Skyview Capital Ltd
- Midpoint Capital Ltd

All the firms except Woodland Capital Ltd have been cleared to commence trading having satisfied all regulatory requirements.

### **8.9 Branch Opening**

It came to the attention of The Exchange that some Dealing Member firms had opened branch offices in different parts of the country without approval, under the guise of using such offices as liaison or business development offices. This practice is a violation of Article 144 (a) of the Rules and Regulations Governing Dealing Members. Henceforth, The Stock Exchange will not hesitate to impose full regulatory sanctions on any Dealing Member firm that contravenes the provisions of the Rules.

During 2009, seven (7) Dealing Member firms opened branch offices, and inspections were conducted to determine the suitability of the offices for stock brokerage activities:

- Profund Securities Limited
- CSL Stockbrokers Limited
- Cashville Securities Limited
- The Bridge Securities Limited
- Golden Securities Limited
- ECL Asset Management Limited
- GTI Capital Limited

All the branch offices met the requirements for operating stock brokerage businesses – vis-à-vis cashless transactions, imbibing “Know Your Client” (KYC) principles, centralized operations and having qualified personnel.

### **8.10 Complaints/Infractions**

A total of 249 unresolved complaints were brought forward from 2008, mainly from inactive dealing member firms. In 2009, a total of 417 complaints were received against dealing firms. Out of this, 287 complaints were resolved while 130 are still being investigated and pending resolution.

Complaints received during the period under review were observed to border mainly on the unauthorized sales of shares and failure to remit sales proceeds. This was attributed to the illiquidity suffered by the majority of dealing member firms, coupled with desperation of banks to recoup outstanding margin facilities. It was further observed that the majority of the dealing member firms do not comply with Article 102 of the Rules and Regulations Governing Dealing Members – Know Your Client. This has often resulted in fraudulent sales of shares to persons who are not real owners of the shares.

#### **8.11 Violation of Rules of The Exchange**

During the year, six (6) Dealing Member firms were suspended for failure to submit audited accounts, contrary to Article 15(h) of the Rules and Regulations governing dealing members. They were:

- Century Securities Limited
- Transafrica Financial Services Limited
- Empire Securities Limited
- Crossworld Securities Limited
- Dependable Securities Limited
- Monument Securities & Finance Limited

The Exchange is committed to closely monitoring developments in the EFCC/CBN investigation into the alleged mismanagement of eight banks, and will take disciplinary actions against dealing members and quoted companies indicted at the conclusion of the investigations/proceedings.

#### **8.12 Investor Education**

Though the National Essay Competition for secondary schools and tertiary institutions was suspended during 2009, The Exchange sustained its investor education initiative. The suspension of the National Essay Competition became necessary following the six-month nationwide strike by secondary school teachers and university lecturers. Despite this set-back, students from all levels continued to visit The Exchange during their excursion programmes.

#### **8.13 NSE Town Hall Meeting**

The Annual meeting of Chief Executive Officers of Quoted Companies and management of The Exchange was held on 7th July 2009. The meeting was well attended and it served as a strategic interface with the Quoted companies

#### **8.14 Technical Assistance to Stock Exchange of Sierra Leone**

At the 2008 Annual Briefing, an announcement was made about a request from the Council of Sierra Leone Stock Exchange inviting The Exchange to pilot them through initial operations of

their stock exchange. The assignment was successfully executed, leading to the commissioning of the Sierra Leone Stock Exchange and commencement of trading on Friday, July 17, 2009.

### **8.15 The 13<sup>th</sup> ASEA Conference**

The three-day 13<sup>th</sup> African Securities Exchange Conference was held in Abuja on Wednesday, December 2 to Friday, December 4, 2009. The theme of the conference was “Global Crisis: Opportunities for African Capital Markets” around which relevant issues were discussed. The 18<sup>th</sup> ASEA Executive Committee meeting was held during this event, as was the 13<sup>th</sup> ASEA AGM, during which The Nigerian Stock Exchange was unanimously elected President of ASEA. The Executive Committee agreed on three main focus areas for ASEA in 2010: Corporate Governance, Integration/Strategic Relationships and Global Promotion.

In a 14-point communiqué released at the end of the conference, participants agreed that the global financial crisis presented an opportunity for strong self-assessment and a retooling of operators and regulators of African exchanges. It was also agreed that there was need for African exchanges to integrate their markets for improved liquidity, access to greater capital pools, and efficient operations. As a demonstration of this commitment, The Nigerian Stock Exchange, Ghana Stock Exchange and the BRVM signed a Memorandum of Understanding (MOU) to integrate their stock markets in the (Economic Community of West African States (ECOWAS) sub-region. Similarly, in order to strengthen African securities exchanges, they should adopt globally accepted disclosure mechanisms such as International Financial Reporting Standards (IFRS) and high Corporate Governance standards, to mention a few

## **9.0 Outlook**

There are positive prospects for the Nigerian economy for 2010. The World Bank and IMF believe that the global economy would emerge from recession to record positive growth rates in 2010. Specifically, IMF said it expected the world economy to grow by 3.1%, while the Nigerian economy is expected to grow by 5%. The Economist anticipates a GDP growth rate of 5.2% in 2010 while the Federal government targets 6.1%. By OPEC estimates, global crude oil demand in 2010 would reach 85.13mbd, increasing by 0.82mbd or 0.98% compared to 2009. Demand for OPEC crude oil is expected to be 28.61mbd in 2010, up from 28.58mbd in 2009 attributed to the expected global economic recovery. US-based Energy Information Administration (EIA) forecast that increased crude oil prices and output would boost OPEC member countries income by \$184 billion (about N27.6 trillion) in 2010, after tumbling nearly 1/3 in 2009. OPEC countries were projected to net about \$575 billion in 2009 – far below its record 2008 income of \$965 billion.

NNPC disclosed that barring any serious disruptions in the oil industry, Nigeria's crude oil production level is expected to peak at 2.506mbd in the 2010, 20% higher than the 2.088mbd on which revenue projections for the year were based. The optimism is based on the successful completion of the first phase of the amnesty programme. NNPC foresees an upsurge in oil production activities as the various oil firms seize the opportunity to execute major repairs on their facilities hitherto vandalized, as well as to re-enter previous no-go areas.

Commodity prices were surprisingly buoyant in 2009, and are expected to increase further in 2010 as world activity expands after the global crisis. But rising demand will require extra capacity in many

commodity sectors. However, the ability to impact on the economy depends on the institution of policies and programmes to boost output.

Despite the optimistic views, there are fundamental challenges to be faced during the year. The expected growth rate in 2010 would be defined by the economy's ability to sustain the amnesty programme in the Niger Delta, the provision of basic infrastructure, management of inflationary risks from fuel price deregulation, and the prevention of labour unrest. We are confident the current uncertainty in the political environment would settle soon and refrain from impacting the economy and stock market negatively.

Sustained recovery now requires effective reform of financial markets. As only a more ethical and responsible financial sector can properly serve the needs of the economy. Effective regulation is in the interest of financial institutions. One step in this direction has been the issue of the adoption of International Financial Reporting Standards (IFRS) which the Nigerian Stock Exchange proposes to adopt this year. Another crucial factor for a sustained recovery is the role of the proposed Asset Management Company (AMC). The proposed Asset Management Company (AMC) offers the Nigerian financial markets the opportunity of a life time to strengthen our infrastructure and put us in a better position to deal with contingencies as experienced by the market in 2008/2009. The regulatory authorities have met to decide on a proposed structure and the President has sent the bill to the National Assembly. It is important that the bill is passed as soon as possible in order that the AMC can come into existence and remove a large chunk of the non-performing loans from the books of the banks thereby freeing up credit that can be used to drive economic growth. The concept of the AMC must be got right and if for want of time far-reaching corrections cannot be made in the bill, the guidelines for the operation of the AMC must be formulated to take care of the important details not covered by the bill when it eventually becomes an Act.

The Nigerian Stock Exchange commends the Federal Government for sustaining the issuance of bonds through the Debt Management Office (DMO), however, for the purpose of transparency and pricing efficiency, The Exchange should make the request that the DMO consider migrating trading on the OTC to The Nigerian Stock Exchange trading platform, which has the technology to deliver on transparency and efficiency. It is significant that, contrary to local argument that bonds are better traded OTC, last year the London Stock Exchange launched a new retail bond market for the UK. Also, the market would be order-driven, as against the contention in certain quarters here that a liquid bond market must be quote-driven.

Furthermore, since the original intention in the organization of the government bond market was to replicate the bond market of South Africa, in spite of advice to the contrary, the acquisition of Bond Exchange of South Africa by the JSE Securities Exchange should cause the DMO and SEC to review the extant strategy for reactivating the Nigerian bond market.

The issue of bond trading and investing has taken on more importance recently as a result of the problems suffered in Dubai. As a result of the near default by DubaiWorld, bond investors worldwide are starting to review their exposure to sovereign and quasi-sovereign debt in order to avoid any potential default or liquidation issues. Along with our recent classification by the USA, Nigeria may likely experience a lesser participation by international investors in its bond market going forward. This makes it even more important to open this segment to the retail investors, especially at a time when we anticipate several Sovereign, State and Corporate bond issues coming to the market in the near future. This is another reason we hope DMO will review its decision about migrating trading from the OTC to the Exchange platform.

Over time, The Exchange has brought to the fore, challenges militating against stock market development in Nigeria. These challenges include the incidence of multiple tax regimes on businesses and investors, and the slow pace in the implementation of the privatization programme, especially those earmarked to be consummated through the stock market. The Exchange urges the National Assembly to expedite action on all bills on Tax, Oil and Gas reforms, Privatization, and Capital Market reforms currently before it. The Exchange appeals to government to review the tax structure holistically, with a view to streamlining the tax system and remove incidence of multiplicity of taxes by the three tiers of government

The Primary Market promises to be busy during 2010 as many banks and corporate entities consider recapitalizing through combinations of bond and equity issues. The Exchange awaits execution of the decision, by the Bureau of Public Enterprises (BPE), for the National Council of Privatization to sell government's interests in six public corporations on the Exchange. These corporations are Transcorp Hilton Hotel, NNPC, NITEL, Nigerian Reinsurance Corporation, NICON Insurance and Nigerian Security, Printing and Minting Corporation.

The Secondary Market also promises to be busy with many companies that executed Private Placements in 2008 take advantage of the window of opportunity offered by the recently-created AIM/PRIPEX, to list their shares. Through public awareness programmes, The Exchange plans to sensitize the investing public on the various opportunities available in the stock market.

The Exchange will continuously work to support government and its agencies towards the realization of Nigeria's economic development and growth objectives, working closely with the Federal Ministry of Finance, CBN, SEC and other members of the Financial Sector Regulation Coordinating Committee (FSRCC), while maintaining relationships with operators in the international arena, with a view to facilitating the flow of international investment capital to Nigeria. In taking such pro-active measures, the intent is to enhance the quality of the overall market.

**Dematerialization:** This process is still on course for full implementation in 2010.

**Plans for ASEA Presidency:** To be announced

**Demutualization:** As previously stated, this process has been put on hold until the market recovers. However, it is important to note that we can only extract maximum value from the demutualization process when we have metamorphosed into the most efficient and agile entity possible. This will happen once we have completed our transformation programme.

Finally, investors should be advised not to permit the on-going market corrections becloud their judgment on the myriads of opportunities available in the capital market. Investors should work with duly licensed market operators to identify genuine opportunities to make good investments. As equities become cheaper, it presents a great opportunity to maximize returns when the market stabilizes again and assumes a bullish trend.

### Statistical Summary of Market Performance In 2009

	<u>2008</u>	<u>2009</u>	<u>% Change</u>
<b>Market Capitalization</b>	₦9.56 trillion	₦7.03 trillion	(26.5)
<b>The NSE All-Share Index</b>	31,450.78	20,827.17	(33.8)
<b>The NSE 30 Index</b>	853.43	827.99	(3.0)
<b>The NSE Food Beverage Index</b>	559.34	526.71	(5.8)
<b>The NSE Banking Index</b>	498.77	339.32	(32.0)
<b>The NSE Insurance Index</b>	640.60	249.01	(61.1)
<b>The NSE Oil/Gas Index</b>	721.58	288.06	(60.1)
<b>Total Turnover Volume</b>	193.14bn shares	102.85bn shares	(46.75)
<b>Total Turnover Value</b>	₦2.4 trillion	₦685.72billion	(71.43)
<b>Average Daily Volume</b>	775.65 million Units	414.73 million Units	(46.53)
<b>Average Daily Turnover</b>	₦9.55 billion	₦2.76 billion	(71.1)
<b>New Issues Approved</b>	₦2.6 trillion	₦279.25billion	(89.3)
<b>Number of Listed Companies</b>	213	216	1.41
<b>Number of Listed Securities</b>	299	266	(11.4)

### Statistical Summary of Market Performance in US Dollars

	<u>2008</u>	<u>2009</u>
<b>Market Capitalization</b>	\$80.6 billion	\$47.75 billion
<b>Total Turnover Value</b>	\$20.1 billion	\$4.7 billion

**Average Daily Turnover**                      \$80.5 million                      \$18.8 million  
*Average Exchange Rate of N147.16/\$*